



CalABLE 101

**Understanding the Basics of the California
Achieving a Better Life Experience Program**

Achieving Better Life Experiences Act 2014

- Adds Section 529A Qualified ABLE Program to the Internal Revenue Code
- Allows states to create **tax-advantaged** savings and investment programs for people with disabilities
- Provides that assets in your ABLE account **will not affect eligibility for means-tested benefits like SSI or Medi-Cal**

Presenters

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Dante Allen is the executive director for the CalABLE Act Board and is responsible for the strategic direction and operations of the program. Prior to joining CalABLE, Dante served in senior communications roles for organizations both large and small



Presenters

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Presenters

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Glenn joined TIAA-CREF Tuition Financing, Inc. in 2013 as a Manager of Asset Allocation and Investments. He creates investment designs for state clients, conducts manager due diligence, evaluates portfolio risk and return characteristics, and delivers presentations to clients covering market updates and plan performance.

In a previous role, Glenn managed over \$10 billion in active equity products and implemented daily trading decisions for stocks, futures, and currency overlays.



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Savings for people with disabilities

Achieving Better Life Experiences Act 2014

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Disability Defined

- An “eligible individual” is someone who, because of a functional limitation qualifies for Supplemental Security Income (SSI) or Social Security disability benefits or who can show that s/he has a physical or mental disability or blindness equal to the Social Security level of disability
- The onset of the disability must have occurred before age 26, be severe in nature and be expected to last a year or longer
- Must meet social security definition of disability included in the List of Compassionate Allowances or the Blue Book

Why ABLE?

- ABLE Act is meant to empower people with disabilities and help them save to cover the additional costs of living and working with a disability
- ABLE can support the financial well-being for people with disabilities to provide for themselves and their families.
- It also allows individuals with disabilities to maintain public benefit status even while saving above the established resource limits

Who is Eligible?

- Must be disabled before age 26 **AND**
- Meets the eligibility criteria for disability benefits like SSI or SSDI - **OR-**
- Self-certification: Has been diagnosed by a qualified physician with a physical or mental disability resulting in marked and severe functional limitations that is expected to last at least one year.
- Condition is listed on SSA's List of Compassionate Allowances or Blue Book Listings

CaABLE

- California's Qualified ABLE Program, established in 2018
- Generally mirrors the federal act
- Online based savings and investment program
- Administered through the California State Treasurer's Office



Means tested benefits programs

- Many benefits programs for people with disabilities have requirements and limitations based on the available resources of the beneficiary
- These requirements are based on the type and severity of disability
- Most programs have separate limitations for assets and income. Income is the amount of money (earned or unearned) that the beneficiary receives in a month. Assets are the additional financial resources and include things like property owned, and cash savings.
- ABLE was specifically developed to help individuals exceed the asset limits of this programs. It is not intended as a shelter for income

Before ABLE

- SSI beneficiaries were limited to having less than \$2,000 in savings

Important things to know about ABLE

ABLE Information

- Beneficiary is always the account owner
- Only one ABLE account per beneficiary
- Account criteria to open an ABLE account for an eligible individual
 - U.S. Citizen residing in the United States
 - 18 years old or older with the legal capacity to contract
 - Have a Social Security Number and permanent address

ABLE Information

Authorized Legal Representative Definition

- Must meet the beneficiary criteria
- Parent or Legally appointed guardian
- A person granted a legally enforceable power of attorney to act on behalf of the beneficiary

ABLE Information

- Accounts are **asset-protected** – they cannot shelter income
- Function both like a savings/checking account
- Annual contribution limits: \$15,000, plus \$12,490 if working

ABLE Information

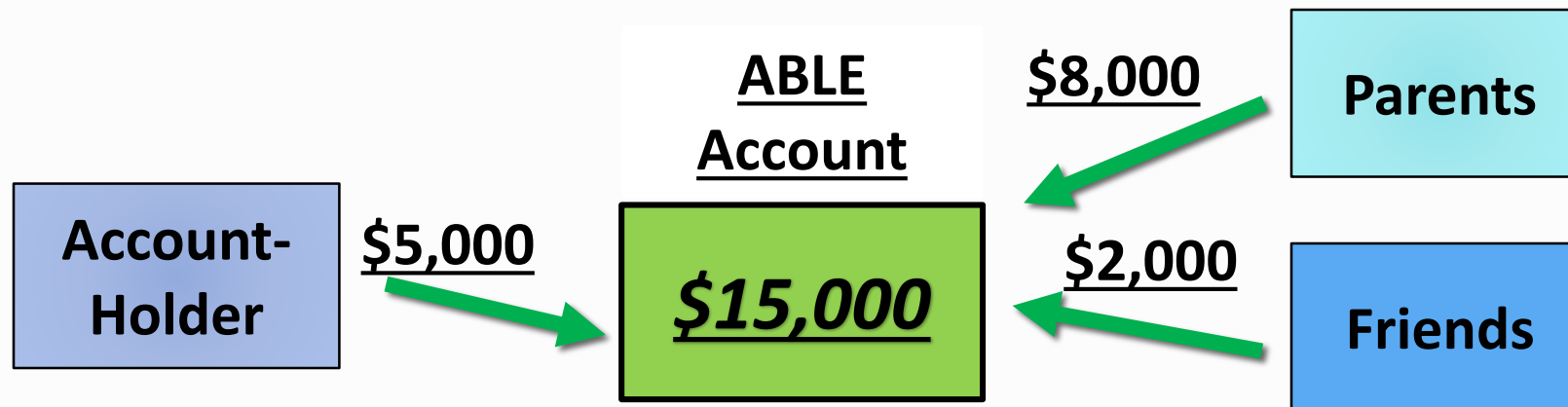
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ABLE Information

- **Anybody can contribute**, including family, friends, and individual account-holders
- **\$15,000 limit is cumulative** among all parties.



ABLE Information

- \$100,000 total cap for recipients of SSI benefits (contribution + earnings)
- \$529,000 total contribution cap for CalABLE (contribution only)
- Assets continue to grow tax-free

What is a Qualified Disability Expense (QDE)?

Any expense related to the designated beneficiary as a result of living a life with disabilities that

- **helps maintain or improve your health,**
- **independence or**
- **quality of life**

ABLE Information- QDE

- Education
- Housing
- Transportation
- Employment training and support
- Adaptive equipment
- Health, prevention & wellness
- Vacation
- Financial management and oversight
- “Other Expenses Approved by the Treasury Regulations”

ABLE Information- Non QDE

- **Non-QDE:** Not illegal, but if taken, expense is now subject to regular income taxes, plus a 10% tax penalty on account earnings – and benefits may be at risk (expense may now be considered a resource)
 - Examples
 - Gambling
 - Alcohol
 - Expense questionable by the IRS

Additional Information

ABLE to Work

- Permits working account owners to contribute above the \$15,000 annual contribution limit, if they or their employer are not contributing to a retirement plan.
 - Can contribute whichever is less:
 - Amount equal to annual gross salary OR
 - Federal Poverty Level (\$12,490 in 2020)
 - For a potential \$27,490 per year

Federal Tax Reform Changes to ABLE (Effective December 2017)

- Rollovers from a 529 College Savings Account into an ABLE Account
 - Funds will be rolled to an account of the 529 beneficiary or a member of the beneficiary's family
- Access to Saver's Credit
 - Beneficiaries may qualify for this credit to help low- and moderate-income workers
 - Contributions limited to \$2,000 per beneficiary, depending on your income
- ABLE to Work

All three provisions sunset after 2025

The Big Picture- Three Accounts

Personal checking: Receives SSI payments and work earnings.

- Used for paying rent/mortgage, meals/grocery, utilities, and for cash needs.

CalABLE account: Receives funds when checking account nears its \$2,000 limit and receives gifts or personal payments lower than the \$15,000 annual ABLE account limit.

- Pays for [any qualifying disability expense](#), including transportation, assistive technology and employment support, or supplements housing expenses (e.g., utilities, condo dues, etc.).

Third-party Special Needs Trust (SNT): Receives larger gifts and inheritances.

- Pays for larger expenses, including health-related expenses, vacations, insurance, etc.

CalABLE vs. Special Needs Trusts

- Complementary tools that make up a broader financial planning strategy
- **Advantages of ABLE Account:**
 - Inexpensive to set up and maintain
 - Can be used to pay housing expenses without affecting SSI
 - Tax-advantaged status
 - Beneficiary has more control over funds
 - Can open the account at any age (assuming disability started before age 26)

CalABLE/Special Needs Trusts Together

Pays for larger expenses, including health-related expenses, insurance, etc.

- Advantages to using ABLE accounts to pay for rent
- Non-conserved beneficiaries can have more direct control over their ABLE funds
- Can use SNT as more of a savings account with fiduciary oversight
- No penalties in transferring money from a SNT to an ABLE account, and vice versa

Because ABLE accounts max at \$100,000 for SSI benefits, makes sense to use SNT for ongoing medical and living expenses other than housing

Housing Guidance

Reinforces the language and spirit of the Federal ABLE Act

- HUD will exclude:

- ABLE funds in determining family income
- Third party contributions
- The Entire value of an ABLE account from household assets
- Distributions from an ABLE account are not considered income

- Wage income received will be included as income

** Withdrawal and payment of housing expenses must occur in the same calendar month to avoid problems with program benefits*

CalABLE

CalABLE Features and Benefits

- Low fees
- Free, easy online enrollment process
- Contributions/deposits can be made via electronic fund transfers from a bank account, or by check
- E-Gifting
- CalABLE Visa[®] Prepaid Card



CalABLE Act Board

- Operated through California State Treasurer's Office
- State Treasurer Fiona Ma, CPA serves as Board Chair
- Meetings are held quarterly and are open to the public



Ready to Open Your Account?

Get started at: CalABLE.ca.gov



The image shows a screenshot of the CalABLE website. The header features the CalABLE logo on the left, which consists of a stylized blue and yellow wave icon next to the text 'CalABLE'. To the right of the logo is a navigation bar with the text 'Be a CalABLE Ambassador' followed by a 'LEARN MORE' link. Further right are two buttons: 'LOG IN' and 'OPEN AN ACCOUNT'. Below the navigation bar is a row of five menu items: 'About CalABLE', 'Who Is Eligible?', 'Plan Benefits', 'Qualified Expenses', and 'Saving & Investment Choices'. The main banner has a dark blue background on the left with white text that reads 'Save & invest for the future without affecting public benefits.' Below this text is a smaller line of text: 'Tax-free treatment on earnings and withdrawals to pay for disability-related expenses.' At the bottom of the banner is a yellow button with the text 'OPEN AN ACCOUNT'. On the right side of the banner is a circular image of a smiling woman and a young boy.

Save & invest for the future without affecting public benefits.

Tax-free treatment on earnings and withdrawals to pay for disability-related expenses.

[OPEN AN ACCOUNT](#)

What is needed to enroll?

- Taxpayer ID number of the beneficiary (and ALR if assigned)
- \$25 initial deposit
- Routing and account number if you wish to link a bank account in order to transfer money to/from the CalABLE account

Application walkthrough

- Personal information –create user ID and password
- Provide beneficiary or Authorized Legal Representative
- Select delivery options of how you would like to receive your statements and other information
- Choose investment option
- Link to a bank account
- Request a prepaid card
- Make necessary certifications

Contributions to your account

- Login at CalABLE.ca.gov
- Deposits/Contributions can be made at any time by check through USPS or by ACH transfer from account connected to the CalABLE account or through the eGift portal
- Allow 10 business days for contributions made by check or ACH transfer

Distributions from your account

- Login at CalABLE.ca.gov
- Withdrawals/Distribution can be requested by check (\$5/check fee) and mailed to the desired recipient, or ACH transfer to connected account
- Funds can be also loaded directly from the CalABLE account onto the optional CalABLE Visa® Prepaid Card, which can be used everywhere Visa debit cards are accepted
- CalABLE does not track or verify whether a distribution is a QDE-keep records
- Allow 10 business days for distributions made by check or ACH transfer

Introducing the CalABLE Visa® Prepaid Card



- Load and reload your card directly from the CalABLE web portal
- Use the card everywhere Visa debit cards are accepted (online or in-store)
- Monthly statements provide purchase records

The CalABLE Visa Prepaid Card is issued by MetaBank®, Member FDIC, pursuant to a license from Visa U.S.A. Inc.

AchieveABLE Corner

**Discover just-in-time
financial education
resources for current
and future CalABLE
account holders**

AchievABLE Corner



Saving and Investing

- Investments managed by TIAA-CREF
- Money can be deposited into an FDIC insured portfolio or
- Invested in any of three Target Risk Investment Options
- Fees vary based on the savings/investment options selected
- Funds may be transferred between portfolios two times annually.

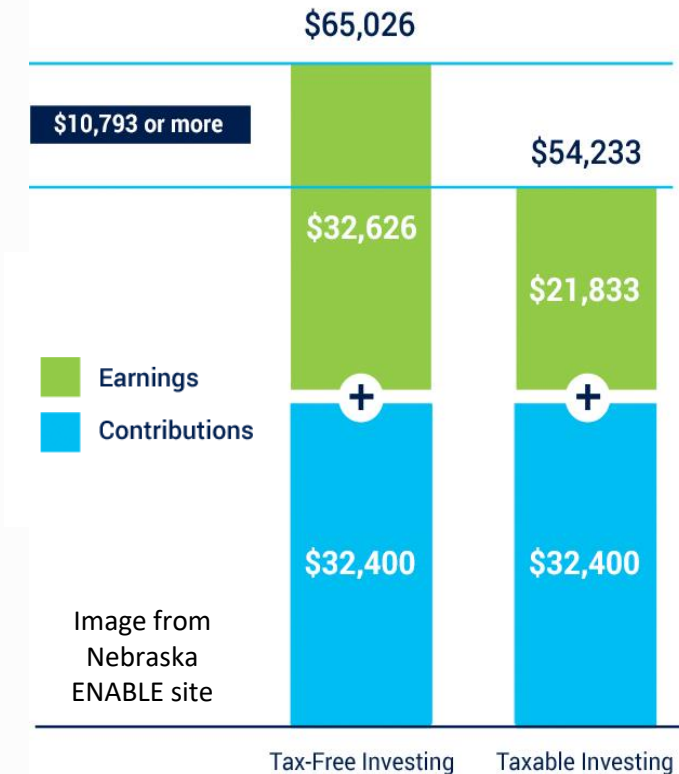
Selecting your investment options

Tax-Free Investments

ABLE options include interest-bearing investment accounts

Interest earnings
grow tax-free*

*if spent on qualifying expenses



CalABLE's 4 Investment Choices

FDIC-Insured Portfolio: “Seeks a stable, conservative return by investing in a low risk, interest bearing deposit account.”

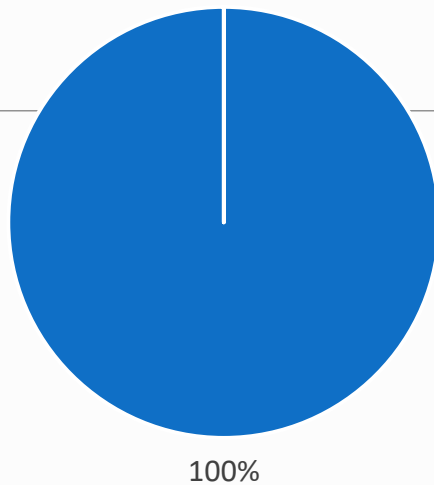
Conservative Portfolio: “Seeks a conservative to moderate long-term total return by investing primarily in bond funds, with smaller allocations to stock funds and a funding agreement.”

Moderate Portfolio: “Seeks a moderate long-term total return by investing in stock funds, bond funds, and a funding agreement.”

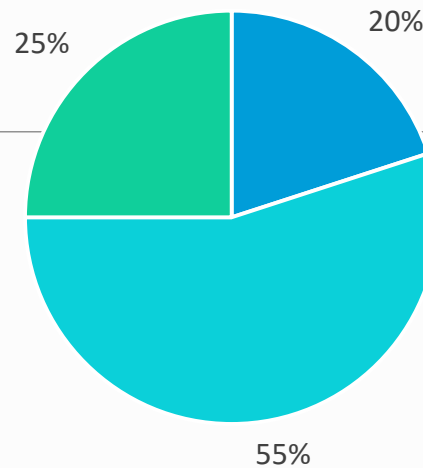
Aggressive Growth Portfolio: “Seeks aggressive growth and long-term total returns by investing primarily in stock funds.”

- Interest-Bearing Account
- Stocks
- Bonds
- Funding Agreement

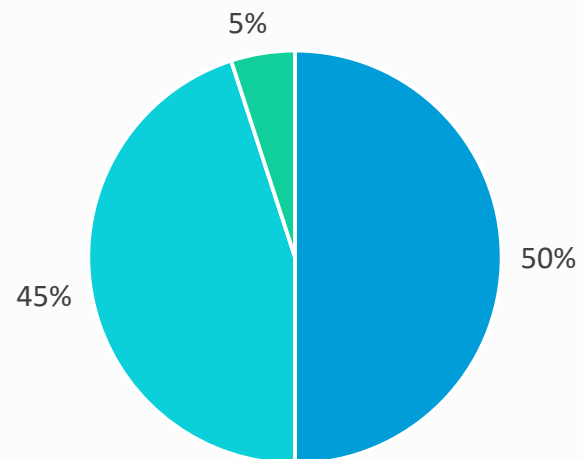
FDIC-Insured



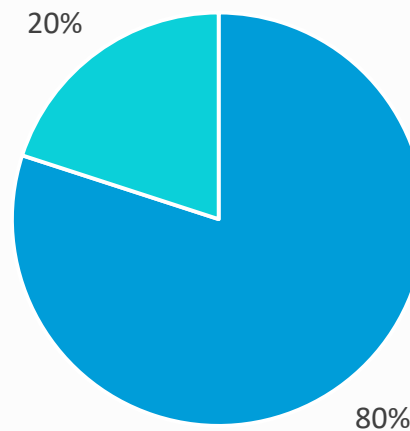
Conservative Portfolio



Moderate Portfolio



Aggressive Growth Portfolio



INVESTMENT OPTIONS

How would you like the money in your CalABLE account to be invested?

- Before making a selection, please ensure you have read the [Program Disclosure Statement](#).
- Contributions will be invested according to the choices you designate below. You may select one or more.
- Your choices must total to 100%.
- You can change your future investment choices at any time by logging into your account.

CONSERVATIVE ⓘ

%

MODERATE ⓘ

%

AGGRESSIVE GROWTH ⓘ

%

FDIC-INSURED ⓘ

%

Total Allocations



%

Additional CalABLE details

CalABLE Fees

Fee Type	
Account Maintenance Fee (annual – assessed monthly)	\$37
Underlying Investment Fee (varies per investment choice & asset-based)	0.00% - 0.09%
State Administrative Fee	0.44%
Paper Statement Mail Delivery Fee (annually)	\$10
Insufficient Funds (per occurrence)	\$20
Check Issuance Fee (per check)	\$5

- Online enrollment free
- \$25 minimum deposit to open account



CalABLE Fees (cont'd)

\$3,000 Assumed Assets				
Investment Option	FDIC	Conservative Growth	Moderate Growth	Aggressive Growth
Annual Account Maintenance Fee*	\$37	\$37	\$37	\$37
Underlying Investment Fee 0.00% FDIC 0.09% Conservative 0.09% Moderate 0.08% Aggressive	\$0	\$2.70	\$3	\$2.40
State Administrative Fee	\$0	\$13.20	\$13.20	\$13.20
Total Annual Fees**	\$37	\$52.90	\$53.20	\$52.60

* Annual Account Maintenance Fee deducted from account proportionately on monthly basis.

**Paper statements will include an additional annual \$10 fee



Protection from Medi-Cal Recovery & Creditors

- SB 218 (Dodd) passed in 2017:
 - Medi-Cal will not file a claim directly on the ABLE. The state may recover on assets that have transferred from an ABLE account to an estate
 -
- AB 688 (Calderon) passed in 2017:
 - Exempts ABLE accounts from enforcement of money judgements
- Account Protection only applies to California residents with a CalABLE account

What happens when an account owner passes away?

- Any outstanding QDEs may be paid using ABLE funds
- The account is then transferred into the deceased individuals estate.
- Medi-Cal will only attempt recovery if (All must apply):
 - The deceased was age 55 or older
 - The individual was a user of comprehensive Medicaid services (in home support, skilled nursing, etc.)
 - The individual's estate is required to go into probate (\$150,000 or more)
 - The individual is not survived by a spouse or children under 18 or a disabled child of any age

Making Sure you Keep your Benefits

- Keep track of all documents and files.
- Report money in your ABLE Account to SSA and/or Medi-Cal.
- Include a letter explaining that ABLE shouldn't eliminate your benefits.
- You can transfer money to a checking account, even if that puts a checking account over \$2000. But spend it that calendar month.

If your Benefits get Cancelled

- Gather all records and go to SSA and/or Medi-Cal office right away!
- Consider printing “What are ABLE Accounts” (or other relevant pages) from www.ableNRC.org.
- Express your urgency. Especially if Medi-Cal is your only insurance or if you get IHSS for attendants.
- Check in with your bank, doctors and attendants if delays will affect your income, healthcare, IHSS payments or other supports.

Need Help with the Enrollment Process?

CalABLE Customer Engagement Center

Open 9:00 a.m. to 5:00 p.m. PST

Monday – Friday

[833-Cal-ABLE \(833-225-2253\)](tel:833-225-2253)

CalABLESupport@CalABLE.ca.gov



Additional Resources

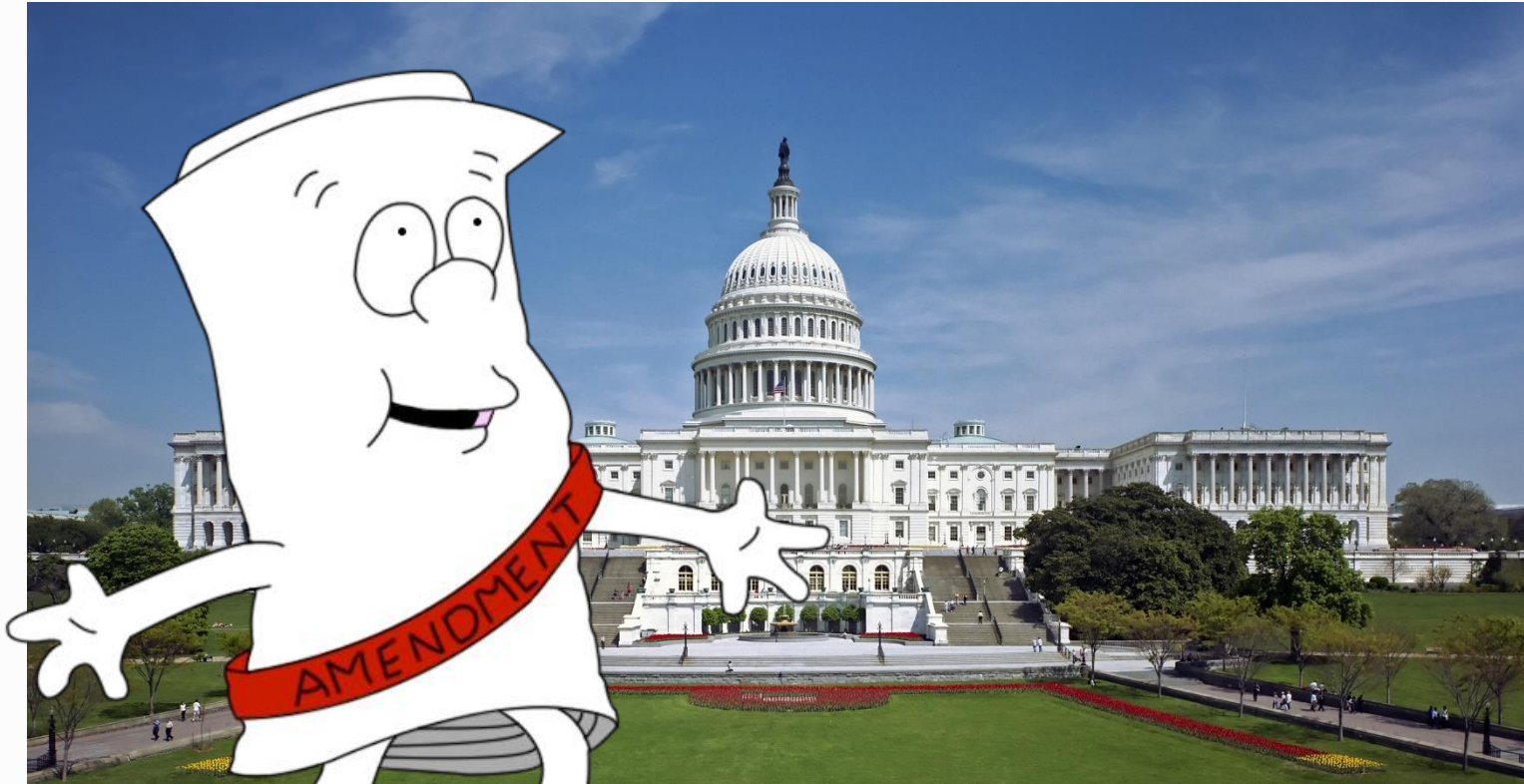
ABLE National Resource Center- <https://www.ablenrc.org/>

Disability Benefits 101- <https://www.db101.org/>

**Social Security Program Operations Manual System
(POMS)**

<https://secure.ssa.gov/apps10/poms.nsf/lnx/0501130740>

Future of CalABLE



ABLE Age Adjustment Act

The ABLE Age Adjustment Act (S. 2704/HR 4813) would raise the age limit for ABLE accounts up to age 46 (from the current 26)

- Useful for acquired disabilities (i.e. multiple sclerosis, spinal cord injury, some blindness and hearing loss, etc)
- Expands the pool of potential ABLE account-holders – Veterans and those with less time to save

California Proposed 3rd Party Contributions

- 3rd party contributors would be eligible for tax deductions

Connect With CalABLE

- **Find us on Facebook, Twitter, YouTube, and LinkedIn**
 - Facebook: California ABLE Act Board
 - Twitter: @CalABLE_Board
 - YouTube: California ABLE Act Board
 - LinkedIn: California ABLE Act Board
- Join our **email distribution list** – visit <http://www.treasurer.ca.gov/able>; under “Quick Links” in left side bar, click “Sign Up to Receive CalABLE Information”



Consider the investment objectives, risks, charges and expenses before investing in the California 529A Qualified ABLE Program (CalABLE Program). Please call toll-free 833-CAL-ABLE for a Disclosure Statement containing this and other information. Read it carefully.

Before investing in any ABLE program, you should consider whether your home state provides its taxpayers with favorable state tax or other benefits that are only available through investment in the home state's ABLE program. You also should consult your financial, tax, or other adviser to learn more about how state-based benefits (or any limitations) would apply to your specific circumstances. You also may wish to directly contact your home state's ABLE program, or any other ABLE program, to learn more about those plans' features, benefits and limitations. State-based benefits should be one of many appropriately weighted factors to be considered when making an investment decision.

The CalABLE Program is offered by the State of California. TIAA-CREF Tuition Financing, Inc. (TFI), program manager. TIAA-CREF Individual & Institutional Services, LLC, Member FINRA, distributor and underwriter.

None of the State of California, its agencies, TFI or TCS nor any of their applicable affiliates insures accounts or guarantees the principal deposited therein or any investment returns on any account or investment option, and you may lose the principal amount invested. The FDIC Insured Portfolio is FDIC-insured up to \$250,000, subject to certain restrictions. Interests in the CalABLE Program are not registered with or in any way approved by the Securities and Exchange Commission or by any state securities commission. 985083

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